

# MULTI-ASSET CREDIT STRATEGY

## *The Opportunity*

The multi-asset credit universe offers a variety of alpha opportunities within core sectors such as corporate credit, collateralized loan obligations (CLOs), asset-backed securities, emerging sovereign and quasi-sovereign credit, and other structured and fixed income credit products. By dynamically allocating across a broad spectrum of credit instruments and adhering to a valuation-driven philosophy, we aim to offer investors diversified exposure and the potential for attractive risk-adjusted returns. Multi-layered alpha is achieved through top-down sector allocation and duration management, while bottom-up value is derived by capturing the credit quality, complexity, and liquidity premia within each credit sector, leveraging GMO's 30-year history in managing credit strategies.

## *The GMO Solution*

The GMO Multi-Asset Credit Strategy seeks to maximize alpha and diversification benefits by dynamically allocating across the credit spectrum and leveraging GMO's expertise in core credit strategies. Our team utilizes a robust research framework that combines top-down and bottom-up analysis along with fundamental and quantitative techniques aimed at harvesting the most attractively priced credit risk premia across various fixed income markets, including emerging debt, structured products, high yield and investment grade credit, loans, and mortgages. The Strategy's benchmark-agnostic approach enables a robust focus on relative value analysis, allowing us to shift the portfolio towards our highest conviction allocations as appropriate. We have the agility to capitalize on transient relative value opportunities across fixed income markets, which we believe allows us to stay ahead of market dynamics. Our Strategy aims to maintain a balanced approach between risk and return by focusing on capital preservation during market downturns and avoiding premium-priced securities in overvalued markets.

Three key features differentiate GMO's Multi-Asset Credit Strategy:

### FLEXIBLE/NIMBLE

- Small, dedicated teams focused on employing quantitative and fundamental techniques to uncover alpha opportunities
- Our process is the opposite of bureaucratic – we will be quick to alter our opinions and act when conditions warrant

### DIFFERENTIATED

- Unique investment approach and successful track record in
  - Emerging Country Debt
  - Structured Credit
  - High Yield
  - Investment Grade

### HIGH CONVICTION

- We have a long history of focusing on the highest risk-adjusted return opportunities – even if it means straying far from a conventional benchmark

The four main alpha engines employ highly differentiated investment processes:

- Emerging country debt – An unconventional, bottom-up approach focused on “arbitrage-like” instrument selection and minimizing default convexity.
- Structured credit – An unconstrained structured portfolio with low historical beta to the market and capital preservation ability during drawdowns.
- U.S. high yield – A quantitative factor-based investment approach that exploits inefficiencies in the high yield asset class.
- Systematic U.S. investment grade – A bottom-up, factor-based process leveraging GMO's deep and long quantitative investment process adapted to the corporate bond sector.

Our four main alpha engines are a focus of the GMO Multi-Asset Credit portfolio, but we have deep expertise in many other credit markets, including:

- Leveraged loans
- Agency MBS
- Emerging market debt local rates and FX derivatives
- Credit – U.S., Europe, indexes, tranches, options
- Duration management – treasury futures, interest rate swaps
- Foreign exchange

We expect to take positions in these asset classes when we believe they screen well on a relative basis.

## ***The Client Fit***

The GMO Multi-Asset Credit Strategy can be beneficial to a variety of clients, including institutional investors such as pension funds, endowments, and foundations, as well as financial intermediaries such as RIAs and family offices seeking to diversify their liquid fixed income portfolios into inefficient asset classes, enhance returns, and manage downside risk.

The Strategy can be used as:

- A stand-alone allocation to gain exposure to core credit markets
- As part of a multi-manager allocation to credit markets and alongside broader fixed income mandates that invest in a spectrum of credit markets
- As a complement to private credit exposure, offering a liquid, transparent, and dynamically managed way to access credit risk while retaining flexibility through the credit cycle

## ***Who We Are***

Founded in 1977, GMO is a private partnership whose sole business is investment management. The firm manages global portfolios with offices and clients around the world. Investment offerings include equity, fixed income, multi-asset class, and alternative strategies. GMO is known for blended fundamental and quantitative investment research expertise and a long-term fundamental orientation toward investing.

## ***The Team***

Portfolio management of the GMO Multi-Asset Credit Strategy is led by Joe Auth, Head of Developed Fixed Income, and Kevin Breaux, Head of Fixed Income Quantitative Research.

The Multi-Asset Credit platform brings together GMO's core investment teams: Emerging Country Debt, Structured Credit, High Yield, and Systematic Credit, as well as our trading and research teams, with each team averaging of over 15 years of industry experience.

***Past performance is not a guarantee of future results.***

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**RISK |** Risks associated with investing in the Strategy may include those as follows. (1) Credit Risk: The risk that the issuer or guarantor of a fixed income investment or the obligor of an obligation underlying an asset-backed security will be unable or unwilling to satisfy its obligation to pay principal and interest or otherwise to honor its obligations in a timely manner. The market price of a fixed income investment will normally decline due to the issuer's, guarantor's, or obligor's failure to meet its payment obligations or in anticipation of such failure. (2) Market Risk - Asset-Backed Securities: The market price of asset-backed securities, like that of other fixed income investments with complex structures, can decline for a variety of reasons, including market uncertainty about their credit quality and the reliability of their payment streams. (3) Illiquidity Risk: Low trading volume, lack of a market maker, large position size or legal restrictions may limit or prevent the Fund from selling particular securities or closing derivative positions at desirable prices.

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